

Press release

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New European business survey:

Payment uncertainty obstacle to growth in international trade

Late payments are holding back the European economy, a broad business survey made by Intrum Justitia, Europe's largest credit management company, shows. Companies surveyed cited payment uncertainty as the most significant obstacle to growth in international trade. Long payment delays – or no payment at all – is making companies think twice before doing business in another country, thereby hampering the single market and harming EU competitiveness.

Jan Roxendal, Intrum Justitia's president and CEO, today launched the European Payment Index, which compares payment habits in 22 countries, based on a survey of over 9,000 European companies. Speaking at a Brussels press conference he added late payments to the major risks that businesses face today. Citing better implementation of the EU Directive on combating late payment in commercial transactions as a priority, he called for European political and business leadership to act for improved payment behaviour.

The European Payment Index report, the most comprehensive European indicator of payment behaviour, shows significant trends in the European economy and in particular how:

- SMEs are remarkably vulnerable to late payments;
- Within the EU's single market, cross-border payments are harder to retrieve;
- The forthcoming review of the EU Directive (2000/35/EC) on late payments could have an important impact.

The EU Directive on late payments, which took effect in 2002, should have set common rules for payment contracts across the EU, including fixed payment terms and the legal right to a set interest rate for late payment. However, the measures have not yet been implemented effectively in the Member States.

Intrum Justitia's survey shows that a majority of companies are strongly concerned about the consequences of late payments, which include heavy administrative and financial burdens. SME's are particularly hard hit as they are more vulnerable to variations in cash flow and often rely on a limited number of customers. In an alarmingly high number of cases, between one and two thirds depending on the country, companies believe that late payments are a threat to the survival of the company - with serious consequences for both their staff and suppliers.

Notably, late payments show a great variation between countries – with delays of one week in Nordic countries and more than five weeks in Portugal. In a regional distribution, the risk of late payment increases from North to South.

Alongside cultural differences, which are thought to have a significant effect on credit behaviour, payment delay is influenced by two main factors:

- The quality of a company's credit management system;
- National legal enforcement procedures.

To some extent, companies can help themselves by improving their credit management, but public authorities also have a vital role to play in improving enforcement procedures. A majority of the companies surveyed believe the legal enforcement process to be ineffective, too expensive and long winded. The survey also shows a clear correlation between the degree of dissatisfaction with the legal process and payment delays.

The conclusions of the report point to the need for harmonized legal enforcement procedures across the EU. The adoption on 21 April 2004 of the regulation on a European enforcement order is therefore welcomed by Intrum Justitia. It is also urgent that the recently proposed regulation on a European order for payment procedure is rapidly adopted by the EU Parliament and Council.

These new legal instruments will however be of little use unless the Directive on late payments, which will be reviewed later this year, is implemented more effectively. The Directive has so far not affected the perceptions of companies, with a majority in most countries anticipating no significant effects on the practice of late payments.

The results of Intrum Justitia's pan-European payments habits survey therefore point to a need for greater leadership on a European as well as national level, for as Jan Roxendal said today, "A healthy credit system and correct payment behaviour is essential for the survival of business and the growth of the single market."

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Intrum Justitia is Europe's leading Credit Management Services (CMS) group. It has revenues of approx. SEK 2.9 billion and about 2,900 employees in 21 European countries. Intrum Justitia's objective is to measurably improve its clients' cash flows and long-term profitability by offering high quality in relations with both clients and debtors in each local market. The group offers a wide range of CMS for commercial and consumer receivables and has a growth strategy that involves taking an active part in the industry's consolidation. Intrum Justitia has been listed on the O-list of Stockholmsbörsen, the Stockholm Exchange, ticker IJ, since 7 June 2002. For more information, please visit www.intrum.com